

**THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO.: 2018-358-WS

In the Matter of)	
)	SURREBUTTAL TESTIMONY
Verified Application of Carolina Water Service, Inc. for Approval of Annual Rate Adjustment Mechanism and Petition for an Accounting Order to Defer Expenses)	OF DAVID HUGHES (Supervisor, York County W/S Division)
)	

Q: PLEASE STATE YOUR NAME, EMPLOYER, TITLE AND BUSINESS ADDRESS:

A: My name is David Hughes. For the last 24 Years, I have served as the Supervisor with the York County Water/Sewer Division of Public Works in York South Carolina. My business address is 220 Public Works Road, York, South Carolina.

Q: DID YOU PROVIDE DIRECT TESTIMONY IN THIS CASE:

A: Yes. I filed direct testimony with the Public Service Commission in this case on May 30, 2019.

Q: WHY ARE YOU PROVIDING SURREBUTTAL TESTIMONY AT THIS TIME?

A: I want to clarify the position of York County in response to the rebuttal testimony of Mr. Robert Hunter on behalf of Blue Granite Water Company ("Company" or "Blue Granite").

Q: WHAT AREAS OF MR. HUNTER'S REBUTTAL TESTIMONY WOULD YOU LIKE TO ADDRESS?

A: First, in Mr. Hunter's rebuttal testimony, page 14 of 16, lines 2 – 8, he characterizes York County as being negatively affected by a geographic pass-through mechanism. Mr. Hunter states in pertinent part: "Further, the Commission should be made aware that moving to a geographic allocation methodology will impact certain groups of customers disproportionately and will be to the detriment of certain customers, such as in York County, due to the projected York County wholesale rate increases...."

1 I disagree. While the York County water and sewer rate increases set out in Hunter Rebuttal Exhibit A
2 show two years of increases, those two years are followed by seven years of relatively stable rates and
3 very modest increases. As a result, while years 2018 and 2019 perhaps have a more disproportionate
4 impact to York County citizens in a geographic application of a pass-through compared to other Blue
5 Granite jurisdictions state-wide, the years 2020 through 2026 have the prospect of a far more stable
6 water and sewer rate application for which York County is comfortable addressing through a geographic
7 pass-through mechanism. During that projected stable seven year period of time, York County will have
8 no control over the statewide third party rate impacts to the Blue Granite rate calculus. Moreover, in a
9 separate vein, while the charting of the prospective York County water and sewer rate increases is
10 relevant to support York County's advocacy for a geographic pass-through of third party rate increases,
11 the use of the chart in this case is somewhat misleading as the current mechanism for the Company to
12 capture the third party water and sewer rate increases would be through its deferral account. This
13 account serves as a protective mechanism for the Company to capture requested deferred amounts
14 within the structure of a rate case wherein the request can be reviewed and vetted by interested
15 parties.

16 Also, if one looks at Mr. Hunter's rebuttal testimony, page 13 of 16, lines 2 through 4"... the non-
17 revenue water adjustment in its most recent rate case was equal to 0.55 percent of the purchased water
18 expense approved...." While I agree that the 0.55 percent of purchased water expense approved was
19 the non-revenue water multiplier utilized in the last rate case, it does not necessarily translate
20 wholesale to the instant proceeding nor does it completely apply to the future non-revenue water
21 adjustments by the Company. In York County, the current franchise agreement in place with Blue
22 Granite limits York County's exposure to water loss at the hands of Blue Granite as the Company now
23 pays the County for water provided to the Company from a reading taken at a Master Meter situated at
24 the edge of the Company franchise territory where the water lines run into the territory. This billing

1 system is different from the past practice where payment to the County was a function of Company
2 customer billings at the meters of the end users. Under the past practice, the County was never paid for
3 water transmitted into the territory but ultimately lost in the transmission process once the water
4 passed into the territory. While water loss may very well have a bearing in York County with regards to
5 the rates ultimately imposed by Blue Granite upon its York County customers, it is fair to characterize
6 the monetary recapture of lost water as a function of the Company's dedication to line maintenance and
7 infrastructure improvement, which is an inquiry best suited for and evaluated in a future rate case.

8 **Q: IS THERE ANY OTHER ASPECT OF THE HUNTER REBUTTAL TESTIMONY THAT YOU WOULD LIKE**
9 **TO ADDREESS?**

10 **A:** Yes. York County takes issue with the characterization in Mr. Hunter's rebuttal testimony, page
11 2 of 16, lines 17-18 that "[a]ll parties appear to agree that, conceptually, a rate adjustment mechanism
12 to pass-through third party provider water and wastewater expenses is reasonable...." (Emphasis
13 added). York County submits that a straight pass through, without markup or margin, is different from
14 an increase incorporating expenses, in addition, to the pass-through. York County distinguishes
15 between a pass-through of water and sewer rate increases by a third party provider as opposed to a
16 change in customer rates related to overall water and sewer expenses incurred by the Company.
17 Moreover, to this point, Mr. Hunter's assertion, Hunter rebuttal testimony, Page 14 of 16, lines 18-19,
18 that the amortization period of one year is "more than reasonable for [the company] to be permitted to
19 recover these expenses over a twelve month period" (emphasis added) further invites inquiry to the
20 distinction between third-party water/sewer rate increases, on the one hand, and overall expenses, on
21 the other.

22 **Q: ANYTHING ELSE?**

23 **A:** Yes. Mr. Hunter asserts that "no compelling reason" has been presented to warrant wait[ing]
24 until the Company's next general rate case." See gen. Hunter rebuttal testimony, Page 7 of 16, lines 4-7.

1 However, the Company has already averred to the filing of an imminent rate case. See Commission
2 Directive May 22, 2019 (DOCKET NO. 2018-358-WS). In the County's estimation, a more efficient and
3 effective use of time by all concerned will occur in the upcoming rate case should all pending
4 matters/requests of Company in the instant case be deferred to the impending rate case. At that point,
5 all requests can be thoroughly vetted and evaluated.

6 This is all I have to add in response to Mr. Hunter's rebuttal testimony.

7 **Q: DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

8 **A:** Yes.